

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ISO-00 FEA-02 COME-00 TRSE-00

INT-08 SCI-06 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 SAM-01 IO-14 DRC-01 /157 W

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R 301415Z JAN 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC 2998

INFO AMEMBASSY BELGRADE

AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TOKYO

AMEMBASSY VIENNA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L ROME 1403

E.O. 11652: GDS

TAGS: ENRG, IT

SUBJECT: ITALIAN ENERGY SITUATION

REF: ROME 476

1. BEGIN SUMMARY: GOI IS STILL UNDECIDED ON WHETHER TO ADOPT
GASOLINE RATIONING, NOTWITHSTANDING PRESS REPORTS THAT DECISION TO
RATION HAS BEEN TAKEN. PETROLEUM PRODUCT PRICES WILL BE RAISED
WITHIN NEXT SEVERAL DAYS TO COMPENSATE COMPANIES FOR JANUARY 1
CRUDE OIL PRICE INCREASES--PREMIUM GASOLINE EXPECTED TO MOVE FROM
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PRESENT 200 TO 250 LIRE/LITER (\$1.52 A GALLON). ITALY'S OIL

SUPPLY SITUATION REMAINS TIGHT, ALTHOUGH WORST OF WINTER SQUEEZE APPEARS PAST. END SUMMARY.

2. SENIOR MINISTRY OF INDUSTRY ENERGY OFFICIAL (BRISTAGNO) INFORMED US JAN 30 THAT, CONTRARY TO WIDESPREAD PRESS REPORTS THAT GOI HAS OPTED FOR GASOLINE RATIONING, DECISION HAS NOT RPT NOT YET BEEN TAKEN BY GOVERNMENT. PRESS STATEMENTS ATTRIBUTED TO TREASURY, INDUSTRY AND ECONOMIC PLANNING MINISTERS FOLLOWING JAN 29 MEETING THAT THERE WILL BE RATIONING DESCRIBED BY RISTAGNO AS "PUBLICITY-MOTIVATED". RISTAGNO ADDED THAT GOVERNMENT IS STILL WEIGHING THE MERITS OF RATIONING AND THAT NO DEFINITIVE DECISION YET REACHED. RISTAGNO PERSONALLY AGAINST RATIONING, FEELING THAT THE SAVING FROM SUCH MEASURES WOULD BE OUTWEIGHED BY THE COST AND SACRIFICE. AT MOST TWO MILLION TONS OF GASOLINE COULD BE SAVED, BUT THE COST IN TERMS OF BUREAUCRATIC ADMINISTRATION (\$30-35 MILLION A YEAR) AND PUBLIC HOSTILITY TOO GREAT TO JUSTIFY THE MEASURES. ALSO THE POTENTIAL HARMFUL EFFECT THAT SUCH MEASURES WOULD HAVE ON FOREIGN TOURISM IN ITALY MAKES THE CASE FOR RATIONING HIGHLY QUESTIONABLE. RISTAGNO NOTED THAT THE GAINS TO ITALY FROM TOURISM FAR OUTWEIGH THE POSSIBLE COMPENSATION FROM FOREGONE CRUDE IMPORTS OR REFINED PRODUCT EXPORT. HE POINTED OUT THAT THE DEBATE ON RATIONING IS NOT ALONG PARTY LINES; ALTHOUGH THE PSI IS SAID TO BE THE COALITION MEMBER MOST IN FAVOR OF RATIONING, THE PSI UNDERSECRETARY IN THE MINISTRY OF INDUSTRY (SERVADEI), ACCORDING TO RISTAGNO, IS AGAINST IT. RISTAGNO EXPECTS THAT GOVERNMENT WILL TAKE A DECISION ON THE MATTER SHORTLY.

3. RISTAGNO HOPED THAT A DECISION ON INTERNAL MARKET PRODUCT PRICES WOULD BE FORTHCOMING SOON (THE PRESS STATES THAT PRICE INCREASES WILL BE APPROVED BY THE INTERMINISTERIAL PRICE COMMITTEE (CIP), TO TAKE EFFECT NLT FEBRUARY 1). HE STATED THAT CONTINUED DELAY BY THE GOVERNMENT HAS CAUSED PRODUCT DELIVERIES BY THE OIL COMPANIES TO FALL OFF SOMEWHAT. WHEN ASKED ABOUT PRESS REPORTS THAT THE PRICE OF FUEL OIL WOULD BE DOUBLED FROM 20 TO 40 LIRE/LITER, RISTAGNO THOUGHT SUCH A MOVE WOULD BE LOGICAL, TO BRING THE ITALIAN MARKET PRICE CLOSER IN LINE WITH THAT IN OTHER EC COUNTRIES AND ASSURE ITALY'S SUPPLY OF THE PRODUCT. RISTAGNO NOTED THAT CONFINDUSTRIA, THE NATIONAL INDUSTRIAL MANAGEMENT ASSOCIATION, SUPPORTED THIS VIEW. THE ENTIRE PRODUCE PRICE INCREASE WILL GO TO THE PETROLEUM

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COMPANIES TO OFFSET THE LATEST ROUNT OF JANUARY 1 OPEC CRUDE PRICE INCREASES.

4. WE RAISED THE QUESTION OF SUPPLY FOLLOWING A TELEPHONE CONVERSATION WE OVERHEARD BETWEEN RISTAGNO AND MINISTER DE MITA. RISTAGNO IN REPORTING TO DE MITA ON THE PROSPECTS FOR FEBRUARY NOTED THAT FORTUNATELY FEBRUARY HAS ONLY 28 DAYS, ASSURING AN AUTOMATIC 10 PERCENT SAVING ON CONSUMPTION. RISTAGNO TOLD US THAT THE SUPPLY SIT-

UATION CONTINUES TO BE TIGHT, BUT THAT MANDATORY STOCKPILES HAVE NOT
YET HAD TO BE TOUCHED. ONCE FEBRUARY IS PAST, THE PROSPECTS APPEAR
ENCOURAGING, SINCE BY MARCH THE SEASONAL REQUIREMENT FOR HEATING
OIL AND FUEL OIL DROPS CONSIDERABLY. VOLPE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, PRICES, RATIONING
Control Number: n/a
Copy: SINGLE
Draft Date: 30 JAN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974ROME01403
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: n/a
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974015/aaaaaeoe.tel
Line Count: 119
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: ROME 476
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 21 MAR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 MAR 2002 by worrelsw>; APPROVED <12 APR 2002 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ITALIAN ENERGY SITUATION
TAGS: ENRG, IT
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005